

## Message Text

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15

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 TRSE-00 COME-00 AID-05 DODE-00

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R 080457Z JUN 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1476

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E.O.: 11652: N/A

TAGS: USSAEC, SA, US

SUBJ: U.S.-SAUDI JOINT COMMISSION - U.S. PRIVATE SECTOR  
INVOLVEMENT

REF : STATE 129257

SUMMARY: EMBASSY AGREES WITH REFTEL SELECTION OF PORTS, HOUSING AND TELECOMMUNICATIONS AS HIGHLY PROMISING AREAS FOR U.S. PRIVATE SECTOR INVOLVEMENT. WE WELCOME ARRIVAL OF TEAM TO DISCUSS U.S. INDUSTRY CAPABILITIES AND WILL ADVISE SOONEST ON APPROPRIATE DATE. TEAM'S MISSION WILL BE OPPORTUNITY TO HELP DEFINE JOINT COMMISSION INVOLVEMENT TO THE U.S. PRIVATE SECTOR. SOME COMMENTS AS TO AREAS REQUIRING CLARIFICATION--RE HOUSING AND OTHER MATTERS--FOLLOW BELOW. END SUMMARY.

1. CONTACTS TO DATE: AS STATED IN JIDDA 3426, CORPS OF ENGINEERS REPS DISCUSSED HOUSING PROJECTS WITH MUQBIL KHALLAF (MINFIN, DIR GEN OF HOUSING). KHALLAF'S REACTION WAS NEGATIVE. HE HAD NOT HEARD OF POSSIBLE USG OR CORPS INVOLVEMENT FROM HIS SUPERIORS, AND HE FELT HE COULD SUBCONTRACT FOR HOUSING WITHOUT HAVING THE COPRS ACT AS MIDDLE MAN. WE BELIEVE HIS ATTITUDE WILL CHANGE. HIS STAFF IS FAR TOO SMALL TO HANDLE THE MYRIAD PROBLEMS FACING HIM AND HE WILL CERTAINLY NEED HELP. SUCH HELP MUST BE MANAGED VERY CAREFULLY, HOWEVER, IF WE ARE NOT LIMITED OFFICIAL USE

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TO QUESTION HIS COMPETENCE OR THREATEN HIS AUTHORITY.

2. U.S. INDUSTRY'S INTEREST IN HOUSING MATTERS IS NOT-ICEABLY ON THE RISE, AND OUR COMMERCIAL SECTION IS HAVING DIFFICULTIES SERVICING BUSINESS VISITORS IN THIS AND OTHER AREAS. PROPOSALS RANGE FROM BROAD VARIETY OF EXPORTS (FROM BATHROOM FIXTURES UP TO AND INCLUDING EXPORT OF PREFAB AND MOBILE HOMES) TO SETTING UP JOINT VENTURES TO PRODUCE PREFAB HOUSING, ETC. THESE U.S. BUSINESSMEN, ALONG WITH THEIR EUROPEAN AND JAPANESE COUNTERPARTS, HAVE ALSO BEEN CALLING ON KHALLAF.

3. VISIT OF HOUSING TEAM: THE EMBASSY WELCOMES PROPOSAL TO SEND SMALL TEAM TO SAUDI ARABIA TO EXPLORE WITH SAG OPPORTUNITY FOR U.S. CONTRIBUTION TO SAUDI HOUSING DEVELOPMENT UNDER AUSPICES OF JOINT COMMISSION. EMBASSY OFFICIALS WILL BE FOLLOWING THIS UP WITH SAG TO DETERMINE AVAILABILITY OF APPROPRIATE OFFICIALS, AND THEIR RECEPTIVITY TO THE IDEA OF A MISSION. WE WILL REPLY ASAP, BUT AT PRESENT JUNE 13 LOOKS TO BE TOO EARLY AN ARRIVAL TIME. NESVIG PARTICIPATION IN TEAM WILL BE REGARDED BY MANY SAUDIS AS A PLUS FACTOR.

4. QUESTIONS TO BE ANSWERED: EMBASSY BELIEVES TEAM'S MISSION MAY HELP TO DEFINE THE ROLE THE USG SIDE OF THE JOINT COMMISSION WILL PLAY VIS-A-VIS THE U.S. PRIVATE SECTOR, AS WELL AS ITS RELATION TO THE SAG ON BEHALF OF THE U.S. PRIVATE SECTOR. SOME ISSUES THAT MAY REQUIRE CLARIFICATION FOLLOW:

(A) IS THE U.S. GOVERNMENT WILLING OR ABLE TO TAKE ON PROGRAM MANAGEMENT OF HOUSING PROGRAMS A LA THE CORPS? DO WE HAVE THAT CAPABILITY THROUGH THE CORPS OR OTHERS? WOULD WE AND COULD WE RECRUIT THE ENGINEERS AND CONTRACTING OFFICERS TO HANDLE AN AID-TYPE OPERATION? IF SO, WOULD SUCH A STEP ADD TO OVERALL U.S. EARNINGS ABROAD OR WOULD IT SIMPLY TAKE AWAY PROFITS WHICH A U.S. CONTRACTOR/CONSULTANT MIGHT HAVE EARNED?

(B) WHAT IS THE ROLE OF CAGNE IN THIS EFFORT?

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(C) IF AN INDUSTRY BODY OR ORGANIZATION COULD BE CREATED WOULD IT OPERATE UNDER THE JOINT COMMISSION UMBRELLA?

(D) TO WHAT EXTENT WOULD HOUSING CONTRACTS BE LIKELY TO BE AFFECTED BY THE ARAB BOYCOTT? (IF THIS MATTER ARISES, PERHAPS SAG COULD BE PERSUADED THAT IF THE BOYCOTT ISSUE WOULD NOT BE APPLICABLE, SINCE SAG WOULD BE DEALING WITH THE JOINT COMMISSION, AND NOT WITH SUBORDINATE LEVEL

MANUFACTURERS).

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